

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 26 Session of 2013

INTRODUCED BY W. KELLER, CARROLL, V. BROWN, STURLA, K. BOYLE, RAVENSTAHL, FABRIZIO, O'BRIEN, DONATUCCI, KOTIK, SCHLOSSBERG, WHITE, MUNDY, YOUNGBLOOD, GODSHALL, CLAY, KORTZ, READSHAW, BROWNLEE, THOMAS, DeLUCA, MCCARTER, MURT, KINSEY, HARKINS, NEUMAN, B. BOYLE, PARKER, GERGELY, SNYDER, FLYNN AND SCAVELLO, JANUARY 22, 2013

AS REPORTED FROM COMMITTEE ON LABOR AND INDUSTRY, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 14, 2013

AN ACT

1 Amending the act of December 5, 1936 (2nd Sp.Sess., 1937
2 P.L.2897, No.1), entitled "An act establishing a system of
3 unemployment compensation to be administered by the
4 Department of Labor and Industry and its existing and newly
5 created agencies with personnel (with certain exceptions)
6 selected on a civil service basis; requiring employers to
7 keep records and make reports, and certain employers to pay
8 contributions based on payrolls to provide moneys for the
9 payment of compensation to certain unemployed persons;
10 providing procedure and administrative details for the
11 determination, payment and collection of such contributions
12 and the payment of such compensation; providing for
13 cooperation with the Federal Government and its agencies;
14 creating certain special funds in the custody of the State
15 Treasurer; and prescribing penalties," further providing for
16 contributions by employees and for trigger rate <--
17 redeterminations; and providing for regular contributions by <--
18 employees.; ESTABLISHING THE SERVICE AND INFRASTRUCTURE
19 IMPROVEMENT FUND; AND FURTHER PROVIDING FOR THE UNEMPLOYMENT
20 COMPENSATION FUND.

21 The General Assembly of the Commonwealth of Pennsylvania
22 hereby enacts as follows:

23 ~~Section 1. Sections 301.4 and 301.8(b) of the act of~~ <--
24 ~~December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1), known as~~

1 ~~the Unemployment Compensation Law, amended June 12, 2012~~  
2 ~~(P.L.577, No.60), are amended to read:~~

3 SECTION 1. SECTION 301.4 OF THE ACT OF DECEMBER 5, 1936 (2ND <--  
4 SP.SESS., 1937 P.L.2897, NO.1), KNOWN AS THE UNEMPLOYMENT  
5 COMPENSATION LAW, AMENDED JUNE 12, 2012 (P.L.577, NO.60), IS  
6 AMENDED TO READ:

7 Section 301.4. Contributions by Employes.--(a)

8 Notwithstanding any other provision of this act, each employe  
9 shall pay contributions at a rate of zero per centum (0.0%) for  
10 calendar year 1989 and at a rate as set forth in section 301.7  
11 for each calendar year thereafter of all wages paid for  
12 "employment" as defined by the act without regard to the  
13 limitation specified in section 4(x)(1) of this act.

14 (b) Each employer subject to this act shall be responsible  
15 for withholding and shall withhold, in trust, such contributions  
16 from the wages of his employes at the time such wages are paid,  
17 and shall report and transmit such deductions to the department  
18 for deposit into the Unemployment Compensation Fund [and] the  
19 Reemployment Fund and the Administration SERVICE AND <--  
20 INFRASTRUCTURE IMPROVEMENT Fund pursuant to the allocation  
21 prescribed in subsection (e), in accordance with rules and  
22 procedures established by the department.

23 (c) Any employer who is an individual, or any officer or  
24 agent of any employer, who violates the trust provision of this  
25 section, fails to withhold, hold in trust or fails to transmit  
26 to the department all contributions withheld from the wages of  
27 his employes in accordance with the rules and procedure  
28 established by the department shall be subject to the provisions  
29 of clause (2) of subsection (a) of section 301 and sections 308,  
30 308.1, 308.2, 308.3 and 309 of this act.

1 (d) This section shall not be deemed to affect or impair the  
2 operation of any State statute or ordinance or resolution of a  
3 political subdivision which levies or collects any wage tax or  
4 similar tax. Contributions made pursuant to this section are not  
5 intended to reduce or otherwise affect any tax on wages or  
6 similar tax.

7 (e) Contributions paid under this section shall be allocated  
8 by the department [between] AMONG the Unemployment Compensation <--  
9 Fund [and], the Reemployment Fund and the Administration SERVICE <--  
10 AND INFRASTRUCTURE IMPROVEMENT Fund as follows:

11 †(1) [Ninety-five per centum (95%)] FIVE PER CENTUM (5%) of <--  
12 the contributions on wages paid from January 1, 2013, through  
13 September 30, 2017, shall be deposited into the [Unemployment <--  
14 Compensation Fund and five per centum (5%) of such contributions  
15 shall be deposited into the] Reemployment Fund to the extent the <--  
16 contributions are paid on or before December 31, 2017.

17 (2) [One hundred per centum (100%) of the contributions on <--  
18 wages paid from January 1, 2013, through September 30, 2017,  
19 shall be deposited into the Unemployment Compensation Fund to  
20 the extent the contributions are paid on or after January 1,  
21 2018.] DURING EACH CALENDAR YEAR FROM 2013 THROUGH 2016 AN <--  
22 AMOUNT DETERMINED BY THE SECRETARY WITH THE APPROVAL OF THE  
23 GOVERNOR SHALL BE DEPOSITED INTO THE SERVICE AND INFRASTRUCTURE  
24 IMPROVEMENT FUND. FOR CALENDAR YEAR 2013, THE AMOUNT DETERMINED  
25 UNDER THIS CLAUSE MAY NOT EXCEED FORTY MILLION DOLLARS  
26 (\$40,000,000). FOR CALENDAR YEAR 2014, THE AMOUNT DETERMINED  
27 UNDER THIS CLAUSE MAY NOT EXCEED THIRTY MILLION DOLLARS  
28 (\$30,000,000). FOR CALENDAR YEARS 2015 AND 2016, THE AMOUNT  
29 DETERMINED UNDER THIS CLAUSE FOR EACH CALENDAR YEAR MAY NOT  
30 EXCEED ONE HUNDRED NINETY MILLION DOLLARS (\$190,000,000)

1 ADJUSTED BY THE INCREASE IN THE BUREAU OF LABOR STATISTICS  
2 CONSUMER PRICE INDEX FOR THE PERIOD FROM MAY 2013 THROUGH  
3 JANUARY OF THE CALENDAR YEAR LESS THE AMOUNT OF FEDERAL  
4 ADMINISTRATIVE FUNDING FOR THE PRECEDING FEDERAL FISCAL YEAR.

5 (3) [One hundred per centum (100%) of the contributions on <--  
6 wages paid on or after October 1, 2017, shall be deposited into  
7 the Unemployment Compensation Fund.] THE REMAINING CONTRIBUTIONS <--  
8 SHALL BE DEPOSITED INTO THE UNEMPLOYMENT COMPENSATION FUND.

9 (4) THE DEPARTMENT MAY DEPOSIT CONTRIBUTIONS IN ACCORDANCE  
10 WITH CLAUSE (2) BEFORE DEPOSITING CONTRIBUTIONS IN ACCORDANCE  
11 WITH CLAUSES (1) AND (3).

12 ~~(1) Ninety five per centum (95%) of the contributions shall~~ <--  
13 ~~be deposited into the Unemployment Compensation Fund.~~

14 ~~(2) Five per centum (5%) of such contributions shall be~~  
15 ~~deposited as follows:~~

16 ~~(i) Not less than ten million dollars (\$10,000,000) shall~~  
17 ~~annually be deposited into the Administration Fund with the~~  
18 ~~remaining contributions deposited into the Reemployment Fund to~~  
19 ~~the extent that contributions are paid on or before December 31,~~  
20 ~~2017.~~

21 ~~(ii) Commencing January 1, 2018, the contributions shall be~~  
22 ~~deposited into the Administration Fund to the extent that such~~  
23 ~~contributions are paid on or after January 1, 2018.~~

24 ~~(iii) Contributions deposited into the Administration Fund~~  
25 ~~under subparagraphs (i) and (ii) shall be prioritized for costs~~  
26 ~~to improve the efficiency of the unemployment compensation~~  
27 ~~service center system, including costs of increased staffing,~~  
28 ~~training for temporary or intermittent positions to ensure a~~  
29 ~~ready work force as needed, and necessary upgrades to telephone~~  
30 ~~and electronic service center and claims filing systems.~~

1 Section 301.8. ~~Trigger Rate Redeterminations. \* \* \*~~

2 ~~(b) (1) For calendar years 2013 through the year determined~~  
3 ~~under paragraph (4), if the trigger percentage as of July 1 of~~  
4 ~~the preceding calendar year is less than two hundred fifty per-~~  
5 ~~centum (250%), the rates determined under paragraph (2) shall~~  
6 ~~apply. For calendar years following the year determined under~~  
7 ~~paragraph (4), if the trigger percentage as of July 1 of the~~  
8 ~~preceding calendar year is less than two hundred fifty per-~~  
9 ~~centum (250%), the rates determined under paragraph (3) shall~~  
10 ~~apply.~~

11 ~~(2) (i) The secretary shall redetermine the rates such that~~  
12 ~~the surcharge assessed under section 301.5 shall yield one~~  
13 ~~hundred million dollars (\$100,000,000), the additional~~  
14 ~~contribution under section 301.2 shall yield two hundred twenty~~  
15 ~~five million dollars (\$225,000,000), the employe tax under~~  
16 ~~section 301.4 shall yield one hundred sixty six million six~~  
17 ~~hundred sixty six thousand six hundred sixty six dollars~~  
18 ~~(\$166,666,666), and the benefit reduction under section 404(e)~~  
19 ~~(4) shall yield fifty two million dollars (\$52,000,000).~~

20 ~~(ii) For calendar years 2018 through the year determined~~  
21 ~~under paragraph (4), notwithstanding the dollar limitation in~~  
22 ~~subparagraph (i), the employe tax rate applicable under section~~  
23 ~~301.4 and redetermined under this paragraph shall not be set at~~  
24 ~~a rate less than eight hundredths of one per centum (0.08%).~~

25 ~~(3) (i) The secretary shall redetermine the rates such that~~  
26 ~~the surcharge assessed under section 301.5 shall yield one~~  
27 ~~hundred thirty eight million dollars (\$138,000,000), the~~  
28 ~~additional contribution under section 301.2 shall yield the sum~~  
29 ~~of three hundred ten million dollars (\$310,000,000) plus the~~  
30 ~~amount determined under paragraph (5), the employe tax under~~

1 ~~section 301.4 shall yield two hundred thirty million dollars~~  
2 ~~(\$230,000,000), and the benefit reduction under section 404(e)~~  
3 ~~(4) shall yield seventy two million dollars (\$72,000,000).~~

4 ~~(ii) Notwithstanding the dollar limitation in subparagraph~~  
5 ~~(i), the employe tax rate applicable under section 301.4 and~~  
6 ~~redetermined under this paragraph shall not be set at a rate~~  
7 ~~less than eight hundredths of one per centum (0.08%).~~

8 ~~(4) The calendar year determined under this paragraph shall~~  
9 ~~be the earliest calendar year subsequent to 2012 on December 31~~  
10 ~~of which all of the following apply:~~

11 ~~(i) There is no unpaid balance of Federal advances under~~  
12 ~~Title XII of the Social Security Act (58 Stat. 790, 42 U.S.C. §~~  
13 ~~1321, et seq.) or interest thereon.~~

14 ~~(ii) There are no outstanding bond obligations under Article~~  
15 ~~XIV of this act and no bond administrative expenses under~~  
16 ~~Article XIV of this act and no such obligations and no such~~  
17 ~~expenses will be due in the following year.~~

18 ~~(5) The amount determined under this paragraph shall be the~~  
19 ~~sum of:~~

20 ~~(i) twenty per centum (20%) of the amount paid from the~~  
21 ~~Unemployment Compensation Fund pursuant to section 1407(c)~~  
22 ~~during the sixty (60) consecutive calendar months ending on June~~  
23 ~~30 of the year in which the redetermination occurs, plus~~

24 ~~(ii) twenty per centum (20%) of that portion of the amount~~  
25 ~~paid from the Unemployment Compensation Fund pursuant to section~~  
26 ~~1407(c) during the immediately preceding sixty (60) consecutive~~  
27 ~~calendar months that is not recovered by additional~~  
28 ~~contributions paid for calendar years through the calendar year~~  
29 ~~in which the redetermination occurs.~~

30 ~~\* \* \*~~

1       ~~Section 2. The act is amended by adding a section to read:~~

2       ~~Section 301.9. Regular Contributions by Employes. (a)~~

3       ~~Notwithstanding any other provision of this act, for every~~

4       ~~calendar year in which the employe tax under section 301.4 is~~

5       ~~not effective, each employe shall contribute eight hundredths of~~

6       ~~one percent (0.08%) of all wages paid for employment without~~

7       ~~regard to the limitation specified in section 4(x)(1).~~

8       ~~(b) Each employer subject to this act shall be responsible~~

9       ~~for withholding and shall withhold, in trust, such contributions~~

10       ~~from the wages of his employes at the time such wages are paid,~~

11       ~~and shall report and transmit such deductions to the department~~

12       ~~for deposit into the Unemployment Compensation Fund and the~~

13       ~~Administration Fund pursuant to the allocation prescribed in~~

14       ~~subsection (e), in accordance with rules and procedures~~

15       ~~established by the department.~~

16       ~~(c) Any employer who is an individual, or any officer or~~

17       ~~agent of any employer, who violates the trust provision of this~~

18       ~~section, fails to withhold, hold in trust or fails to transmit~~

19       ~~to the department all contributions withheld from the wages of~~

20       ~~an employer's employes in accordance with the rules and~~

21       ~~procedure established by the department shall be subject to the~~

22       ~~provisions of sections 301(a)(2), 308, 308.1, 308.2, 308.3 and~~

23       ~~309.~~

24       ~~(d) This section shall not be deemed to affect or impair the~~

25       ~~operation of any State statute or ordinance or resolution of a~~

26       ~~political subdivision which levies or collects any wage tax or~~

27       ~~similar tax. Contributions made pursuant to this section are not~~

28       ~~intended to reduce or otherwise affect any tax on wages or~~

29       ~~similar tax.~~

30       ~~(e) Contributions paid under this section shall be allocated~~

1 ~~by the department between the Unemployment Compensation Fund and~~  
2 ~~the Administration Fund as follows:~~

3 ~~(1) Sixty per centum (60%) of the contributions shall be~~  
4 ~~deposited into the Unemployment Compensation Fund.~~

5 ~~(2) Forty per centum (40%) of such contributions shall be~~  
6 ~~deposited into the Administration Fund. This money shall be~~  
7 ~~prioritized for costs to improve the efficiency of the~~  
8 ~~unemployment compensation service center system, including costs~~  
9 ~~of increased staffing, training for temporary or intermittent~~  
10 ~~positions to ensure a ready work force as needed, and necessary~~  
11 ~~upgrades to telephone and electronic service center and claims~~  
12 ~~filing systems.~~

13 ~~Section 3. This act applies as follows:~~

14 ~~(1) The amendment of section 301.4 of the act shall apply to~~  
15 ~~contributions on wages paid on or after January 1, 2013.~~

16 ~~(2) The amendment of section 301.8(b) of the act shall apply~~  
17 ~~to the redetermination of employee contribution rates to occur~~  
18 ~~under section 301.8 beginning in 2017 and each fifth year~~  
19 ~~thereafter for purposes of contribution rates for calendar year~~  
20 ~~2018 and thereafter, respectively.~~

21 SECTION 2. THE ACT IS AMENDED BY ADDING A SECTION TO READ: <--

22 SECTION 301.9. SERVICE AND INFRASTRUCTURE IMPROVEMENT  
23 FUND.--(A) THERE IS ESTABLISHED A RESTRICTED ACCOUNT IN THE  
24 STATE TREASURY TO BE KNOWN AS THE SERVICE AND INFRASTRUCTURE  
25 IMPROVEMENT FUND.

26 (B) MONEYS IN THE SERVICE AND INFRASTRUCTURE IMPROVEMENT  
27 FUND SHALL CONSIST OF CONTRIBUTIONS DEPOSITED INTO THE FUND  
28 PURSUANT TO SECTION 301.4 (E) (2).

29 (C) MONEYS IN THE SERVICE AND INFRASTRUCTURE IMPROVEMENT  
30 FUND ARE APPROPRIATED ON A CONTINUING BASIS, UPON APPROVAL OF



1 THE GOVERNOR, TO THE DEPARTMENT TO BE PRIORITIZED FOR THE  
2 FOLLOWING PURPOSES:

3 (1) TO IMPROVE THE QUALITY, EFFICIENCY AND TIMELINESS OF  
4 SERVICES PROVIDED BY THE SERVICE CENTER SYSTEM TO INDIVIDUALS  
5 CLAIMING COMPENSATION UNDER THIS ACT, INCLUDING CLAIM FILING,  
6 CLAIM ADMINISTRATION, ADJUDICATION SERVICES AND STAFFING AND  
7 TRAINING OF SYSTEM EMPLOYEES.

8 (2) EXPENDITURES FOR INFORMATION MANAGEMENT TECHNOLOGY,  
9 COMMUNICATIONS TECHNOLOGY AND OTHER INFRASTRUCTURE COMPONENTS  
10 THAT, IN THE JUDGMENT OF THE SECRETARY, ARE LIKELY TO RESULT IN  
11 SIGNIFICANT AND LASTING IMPROVEMENTS TO THE UNEMPLOYMENT  
12 COMPENSATION SYSTEM.

13 (3) TO PAY THE COSTS OF COLLECTING THE CONTRIBUTIONS  
14 DEPOSITED INTO THE SERVICE AND INFRASTRUCTURE IMPROVEMENT FUND  
15 PURSUANT TO SECTION 301.4 (E) (2).

16 (D) NO MONEYS IN THE SERVICE AND INFRASTRUCTURE IMPROVEMENT  
17 FUND MAY BE EXPENDED OR OBLIGATED TO A THIRD PARTY TO PERFORM  
18 UNEMPLOYMENT COMPENSATION SERVICES OF THE DEPARTMENT, EXCEPT  
19 SERVICES RELATING TO TECHNOLOGY AND INFRASTRUCTURE COMPONENTS  
20 DEEMED NECESSARY BY THE SECRETARY UNDER SUBSECTION (C) (2).

21 (E) ANY MONEYS IN THE SERVICE AND INFRASTRUCTURE IMPROVEMENT  
22 FUND THAT ARE NOT EXPENDED OR OBLIGATED AS OF DECEMBER 31, 2018,  
23 SHALL BE TRANSFERRED TO THE UNEMPLOYMENT COMPENSATION FUND UNDER  
24 SECTION 601.

25 (F) MONEYS IN THE SERVICE AND INFRASTRUCTURE IMPROVEMENT  
26 FUND SHALL NOT LAPSE AT ANY TIME NOR BE TRANSFERRED TO ANY OTHER  
27 FUND EXCEPT AS PROVIDED IN SUBSECTION (E).

28 (G) NO LATER THAN JUNE 30 OF EACH CALENDAR YEAR FROM 2014  
29 THROUGH 2019 THE DEPARTMENT SHALL PROVIDE A REPORT TO THE  
30 GOVERNOR AND THE GENERAL ASSEMBLY REGARDING THE SERVICE AND

1 INFRASTRUCTURE IMPROVEMENT FUND, WHICH REPORT SHALL INCLUDE AN  
2 ACCOUNTING FOR THE CONTRIBUTIONS DEPOSITED INTO THE FUND, THE  
3 EXPENDITURES AND TRANSFERS FROM THE FUND DURING THE PRIOR YEAR  
4 AND A DESCRIPTION OF THE PURPOSES FOR WHICH EXPENDITURES FROM  
5 THE FUND WERE MADE IN THE PRIOR YEAR.

6 SECTION 3. SECTION 601(A) OF THE ACT, AMENDED JUNE 12, 2012  
7 (P.L.577, NO.60), IS AMENDED TO READ:

8 SECTION 601. UNEMPLOYMENT COMPENSATION FUND.--(A) THERE IS  
9 HEREBY CREATED A SPECIAL FUND SEPARATE AND APART FROM ALL PUBLIC  
10 MONEYS OR FUNDS OF THIS COMMONWEALTH TO BE KNOWN AS THE  
11 UNEMPLOYMENT COMPENSATION FUND. ALL CONTRIBUTIONS PAID BY  
12 EMPLOYERS AND EMPLOYEES, TOGETHER WITH PENALTIES AND INTEREST  
13 THEREON, RECEIVED OR COLLECTED BY THE DEPARTMENT FROM EMPLOYERS  
14 UNDER THE PROVISIONS OF THIS ACT, EXCEPT CONTRIBUTIONS WHICH ARE  
15 TO BE PAID INTO THE REEMPLOYMENT FUND AND THE SERVICE AND  
16 INFRASTRUCTURE IMPROVEMENT FUND AS PROVIDED IN SECTION 301.4(E),  
17 SUCH PENALTIES AND INTEREST WHICH ARE TO BE PAID INTO THE  
18 SPECIAL ADMINISTRATION FUND AS PROVIDED IN SECTION 601.1 AND  
19 TAXES COLLECTED UNDER SECTION 301.6 OF THIS ACT WHICH ARE TO BE  
20 PAID INTO THE DEBT SERVICE FUND AS PROVIDED IN SECTION 601.2,  
21 SHALL BE PAID INTO THE UNEMPLOYMENT COMPENSATION FUND, AND SHALL  
22 BE CREDITED BY THE DEPARTMENT TO A LEDGER ACCOUNT TO BE KNOWN AS  
23 THE EMPLOYERS' CONTRIBUTION ACCOUNT. CONTRIBUTIONS WHICH ARE TO  
24 BE PAID INTO THE REEMPLOYMENT FUND AND THE SERVICE AND  
25 INFRASTRUCTURE IMPROVEMENT FUND AS PROVIDED IN SECTION 301.4(E),  
26 INTEREST AND PENALTIES WHICH ARE TO BE CREDITED TO THE SPECIAL  
27 ADMINISTRATION FUND AND TAXES COLLECTED UNDER SECTION 301.6 MAY  
28 BE TEMPORARILY HELD IN THE EMPLOYERS' CONTRIBUTION ACCOUNT  
29 SOLELY FOR CLEARANCE PURPOSES PRIOR TO TRANSFER TO THE  
30 REEMPLOYMENT FUND, THE SERVICE AND INFRASTRUCTURE IMPROVEMENT

1 FUND, THE SPECIAL ADMINISTRATION FUND OR THE DEBT SERVICE FUND  
2 AND WHILE SO HELD IN THE EMPLOYERS' CONTRIBUTION ACCOUNT SHALL  
3 NOT BE DEEMED A PART OF THE UNEMPLOYMENT COMPENSATION FUND. ALL  
4 MONEYS FROM TIME TO TIME RECEIVED AND CREDITED TO THE EMPLOYERS'  
5 CONTRIBUTION ACCOUNT (EXCLUSIVE OF REFUNDS MADE UNDER SECTION  
6 311, CONTRIBUTIONS TRANSFERRED TO THE REEMPLOYMENT FUND AND THE  
7 SERVICE AND INFRASTRUCTURE IMPROVEMENT FUND PURSUANT TO SECTION  
8 301.4(E) AND INTEREST AND PENALTIES TRANSFERRED AS HEREIN  
9 PROVIDED TO THE SPECIAL ADMINISTRATION FUND AND TAXES  
10 TRANSFERRED TO THE DEBT SERVICE FUND) SHALL BE PAID PROMPTLY BY  
11 THE DEPARTMENT INTO THE UNEMPLOYMENT COMPENSATION FUND, EXCEPT  
12 AS OTHERWISE PROVIDED IN SECTION 605 OF THIS ACT. ALL MONEYS  
13 CREDITED TO THIS COMMONWEALTH'S ACCOUNT IN THE UNEMPLOYMENT  
14 COMPENSATION FUND PURSUANT TO SECTION 903 OF THE FEDERAL SOCIAL  
15 SECURITY ACT (42 U.S.C. § 1103) SHALL BE INCLUDED IN THE  
16 UNEMPLOYMENT COMPENSATION FUND.

17 \* \* \*

18 Section 4. This act shall take effect immediately.